

Highlights

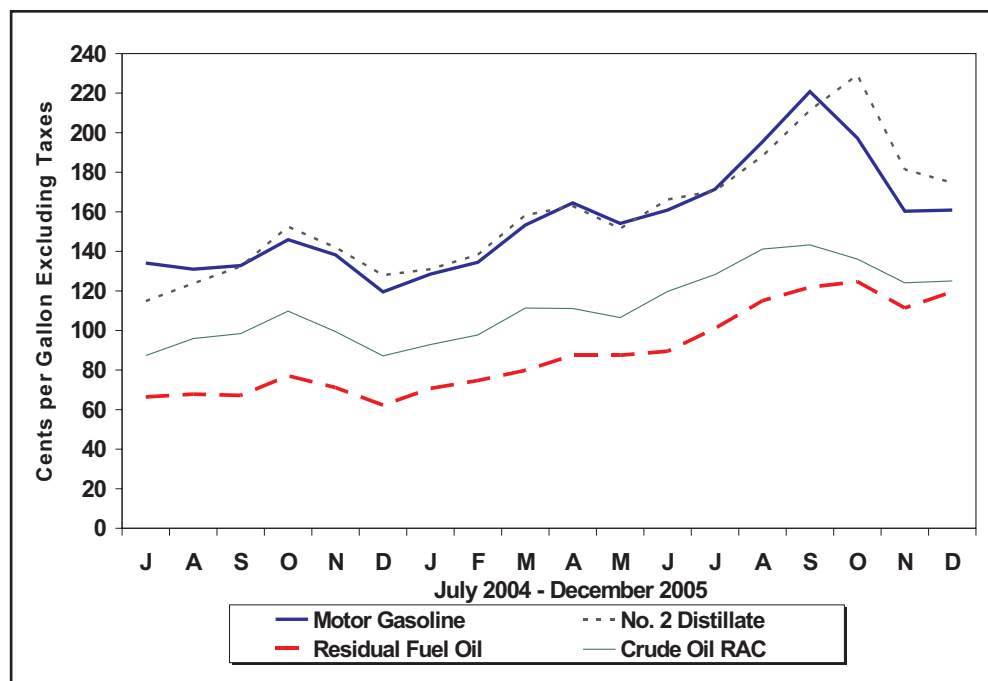
World crude oil prices were unsettled during December, rising modestly overall from November levels. Weather trends played a prominent role in the direction of oil prices during the month. At the start of December, cold temperatures in the United States set the tone for prices during the first half of the month. Providing some additional support to prices, the Organization of Petroleum Exporting Countries (OPEC) announced its intention to reduce production to stated levels on December 12. The group had been pumping oil well above those levels to calm prices in the aftermath of the storms in the Gulf of Mexico. While prices declined at mid-month, thanks in large part to a long-term weather forecast predicting a mild winter in the U.S., an attack on a crude oil pipeline in Nigeria on December 20, that left eight people dead, stemmed the fall in prices. The attack, which halted the movement of 170,000 barrels per day of oil, renewed concern about the reliability of crude oil supply from an area that has experienced political volatility.

During the final days of the month, prices rose appreciably, driven by reports of a suspected attack on a products pipeline in Nigeria and reports that crude oil exports from Iraq had been temporarily halted. At the same time, some OPEC members began to signal their preference to cut production levels when the group meets again on January 31, in anticipation of lower demand in spring 2006.

In U.S. markets, the downward trend seen in crude oil and refined product prices during the previous two months ended in December. At the start of the month, cold weather supported a climb in prices through mid-month. The prospect for a long period of cold temperatures also caused natural gas prices to rise significantly, which in turn

underpinned oil product prices. Further, solid demand for refined products, particularly gasoline, bolstered higher prices. At the middle of the month, prices declined across regional markets following the release of a U.S. National Weather Service (NWS) forecast predicting that much of the country would experience warmer-than-normal temperatures from January to March. The forecast helped dampen concern as to whether supplies would be adequate to meet demand during the remaining winter season. Notably, however, gasoline prices rose firmly at the end of the month, thanks to reports showing a decline in gasoline stocks, particularly in PADDs I and V. Further, weekly supply reports showed small declines in gasoline production through most of the month and monthly statistics show gasoline inventories were 5.8 percent below the December 2004 level. In contrast, distillate supplies were 7.9 percent above the year-ago level and production levels remained steady. Preliminary data for refin-

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	December 2005		November 2005		December 2004		December 2005		November 2005		December 2004	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	174.1	60.9	182.3	60.5	141.3	58.0	160.9	332.7	160.3	322.9	119.4	335.7
Conventional	172.8	33.6	177.4	34.2	136.0	32.9	159.7	219.0	156.5	213.5	115.3	222.8
Regular	170.7	28.3	174.9	29.0	133.3	26.8	158.4	190.3	155.2	185.9	114.1	192.6
Midgrade	179.6	3.0	185.9	3.0	143.6	3.4	164.1	11.5	161.3	10.9	120.1	11.2
Premium	190.6	2.3	198.6	2.3	153.7	2.6	170.8	17.2	168.4	16.7	125.1	19.1
Oxygenated	176.2	2.5	182.0	2.6	141.2	3.8	162.0	11.4	167.5	11.1	123.7	12.4
Regular	174.3	2.1	179.2	2.1	138.1	2.9	160.6	9.3	166.2	9.1	122.1	10.0
Midgrade	181.4	0.3	192.1	0.3	148.1	0.5	164.5	1.1	165.5	1.1	123.4	1.2
Premium	190.8	0.2	199.2	0.2	157.7	0.3	172.7	0.9	182.8	0.9	136.9	1.2
Reformulated	175.6	24.9	189.4	23.7	149.4	21.3	163.5	102.3	167.8	98.2	128.1	100.5
Regular	171.9	19.1	185.2	18.1	145.1	15.7	161.3	85.1	164.9	81.4	125.3	80.7
Midgrade	183.0	2.8	197.2	2.6	156.4	2.7	168.8	3.9	177.1	3.8	136.5	5.0
Premium	192.5	3.0	207.8	2.9	166.3	3.0	176.1	13.3	182.6	13.1	140.6	14.8
Aviation Gasoline	219.4	0.1	220.6	0.1	176.7	0.1	201.7	0.4	199.9	0.5	155.5	0.4
Kerosene-Type Jet Fuel	177.4	45.4	185.6	41.9	133.5	45.8	173.7	15.1	181.5	17.1	132.8	12.8
Propane (Consumer Grade)	152.5	3.8	NA	2.6	100.7	3.1	107.3	42.8	103.5	34.2	83.5	54.7
Kerosene	NA	0.3	219.7	0.3	145.2	0.5	195.8	4.2	198.2	3.0	139.3	3.7
No. 1 Distillate	194.9	0.5	206.7	0.4	144.8	0.3	199.6	3.4	200.1	2.3	138.1	3.4
No. 2 Distillate	181.7	18.8	191.7	19.0	134.1	19.7	174.7	149.9	181.4	142.7	127.8	148.7
No. 2 Fuel Oil	187.1	2.3	183.2	2.0	132.0	2.5	171.4	26.5	174.0	20.6	129.9	30.4
No. 2 Diesel Fuel	180.9	16.5	192.7	17.0	134.4	17.1	175.5	123.4	182.7	122.1	127.2	118.2
Low Sulfur	184.2	11.5	196.8	11.7	137.7	11.1	176.3	103.7	183.4	106.2	127.4	98.6
High Sulfur	173.5	5.0	183.4	5.2	128.4	6.0	171.1	19.7	177.7	15.9	126.1	19.6
No. 4 Fuel^a	W	W	W	W	W	W	W	W	W	W	W	W
Residual Fuel Oil	119.5	11.4	120.4	11.4	75.7	11.9	119.6	5.9	111.4	4.3	62.6	6.5
Sulfur Content not > 1 %	134.6	4.5	134.3	4.4	87.2	5.2	129.3	3.5	126.5	1.9	77.6	2.3
Sulfur Content > 1 %	109.6	6.8	111.7	7.0	66.7	6.6	105.7	2.4	99.3	2.4	54.4	4.2

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners/Gas Plant Operators' Monthly Petroleum Product Sales Report."

ery utilization show the rate to have remained below 90 percent during December 2005, in contrast to the 95.0 percent rate seen in December 2004. While industry recovery efforts along the Gulf Coast proceeded, they continued at a measured pace. Reports indicate that as much as 804,000 barrels per day of refining capacity in Texas and Louisiana was still off-line as of December 5. While that figure improved over the course of the month, a still significant amount of refining capacity remained off-line by the close of December. The Minerals Management Service (MMS) reported that 33.95 percent of oil production remained shut-in as of that date. By December 29, shut-in crude oil production had dropped 27.37 percent. The cumulative amount of shut-in oil production for the period between August 26 and December 29 totaled 19.87 percent of yearly production.

Additional December market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma was unsettled during December. After opening the month at \$57.33 per barrel, the price climbed firmly at the beginning of December on the arrival of cold weather in the Northeast. Cold temperatures continued to influence the price in following days, leading to the month's high of \$61.36 per barrel on December 13. Shortly after that point,

forecasts for a mild winter in the United States helped to draw the price down to its low of \$57.31 per barrel on December 19. The price remained at the lower end of its range for the month until after the long holiday weekend. The price gained on the expectation of weekly reports to show stock declines and anticipation of production cuts by OPEC in the new year. The price closed December at \$61.06 per barrel, and \$3.73 above its opening level for the month.

- December monthly average crude oil prices display only modest changes from November levels. The average domestic crude oil first purchase price showed virtually no change, rising 4.0 cents (0.1 percent) to \$53.22 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil dropped 2.0 cents (0.0 percent), to \$48.68 per barrel. The average landed cost of foreign crude oil fell 77.0 cents (1.5 percent), to \$50.08 per barrel.
- The average refiner acquisition cost for domestic crude oil declined 63.0 cents (1.1 percent), to \$55.89 per barrel. The average cost of imported crude oil to U.S. refiners increased 88.0 cents (1.8 percent), to \$50.85 per barrel, while the composite refiner acquisition cost for crude oil rose 38.0 cents (0.7 percent), to \$52.51 per barrel.

Petroleum Products

Motor Gasoline

The December daily spot price for regular gasoline at New York Harbor ended the downward trend seen during the previous two months. Opening at \$1.442 per gallon, the price immediately rose 10 cents following the release of supply data showing an unexpected decrease in gasoline stock levels. It moved to its low of \$1.531 per gallon on December 7 after data showing an increase in crude oil inventories were published. The price rebounded as cold temperatures supported higher prices throughout the complex. After following the general decline in product prices seen at mid-month, the gasoline price climbed during the final days of month as stocks registered declines. Closing at its highest point for the month, \$1.755 per gallon, the price was 31.1 cents above December's opening level.

- December monthly average gasoline prices stepped away from the large shifts seen during the past few

months, to show more modest and mixed trends during the final month of the year. The average price for retail sales of motor gasoline by refiners fell 8.2 cents to \$1.741 per gallon, while the average wholesale price inched up 0.6 cent to \$1.609 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets fell 6.4 cents to \$1.745 per gallon. The average wholesale price for gasoline increased 1.2 cents to \$1.621 per gallon. The average dealer tank wagon (DTW) price declined 4.4 cents to \$1.668 per gallon, while the average rack price rose 3.7 cents to \$1.619 per gallon. The average bulk sale price climbed 2.1 cents to \$1.552 per gallon. Reformulated gasoline prices were 3.0 cents more than conventional gasoline prices at retail, and 3.4 cents higher at wholesale. Oxygenated gasoline prices were 1.5 cents higher than conventional gasoline prices at retail, and 3.0 cents more at wholesale.

- Refiner sales of motor gasoline increased during December. Total sales climbed 10.2 million gallons per day (2.7 percent) to an average of 393.6 million gallons per day. Retail sales rose 400,000 gallons per day (0.7 percent), while wholesales increased 9.8 million gallons per day (3.0 percent). Rack sales accounted for 68.7 percent of wholesales, while DTW and bulk sales made up 14.1 percent and 17.2 percent, respectively. Reformulated gasoline made up 32.3 percent of total motor gasoline sales, while oxygenated gasoline marked 3.5 percent of sales.

No. 2 Distillate

The daily spot price for No. 2 heating oil at New York Harbor was unsettled during December. After opening at \$1.610 per gallon, the price moved firmly upward, largely in response to cold temperatures in the Northeast and forecasts for cold weather to continue during the coming two weeks. After reaching the month's high, \$1.776 per gallon, on December 14, the price fell along with the rest of the complex. Following the long holiday weekend, the price hit its low of \$1.628 per gallon on December 27. Closing the month at \$1.720 per gallon, the price was 11 cents higher than December's opening level.

- Monthly average prices for No. 2 distillates fell in all categories again during December. The national average residential sales price dropped 1.6 cents to \$2.301 per gallon. The average wholesale price declined 6.6 cents to \$1.761 per gallon. The average

price for No. 2 diesel fuel at company-operated retail outlets fell 13.8 cents, while the average wholesale price for No. 2 diesel fuel declined 7.4 cents. The margin between low- and high-sulfur diesel fuel prices was 7.5 cents at retail, and 5.3 cents at wholesale.

- Overall, refiner sales of No. 2 distillates rose in December. Total sales increased 7.0 million gallons per day (4.3 percent), to 168.7 million gallons per day. Sales of No. 2 fuel oil climbed 6.2 million gallons per day (27.4 percent), while sales of No. 2 diesel fuel rose 800,000 gallons per day (0.6 percent). Low-sulfur diesel fuel accounted for 82.3 percent of all refiner diesel fuel sales, and 68.3 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- December monthly average residual fuel oil prices increased slightly in most sales categories. Refiner prices for low-sulfur residual fuel oil inched up 0.3 cent to \$1.346 per gallon at retail, and by 2.8 cents to \$1.293 per gallon at wholesale. The average refiner retail price for high-sulfur residual fuel oil declined 2.1 cents to \$1.096 per gallon, while the wholesale price rose 6.4 cents, to \$1.057 per gallon. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil declined 0.7 cent to \$1.324 per gallon at retail, but rose 1.8 cents to \$1.247 per gallon at wholesale. The retail price for high-sulfur residual fuel oil climbed 1.0

cent to \$1.121 per gallon, while the wholesale price increased 0.1 cent to \$1.050 per gallon.

- Residual fuel oil sales by refiners generally increased in December. Total sales rose 1.6 million gallons per day to 17.3 million gallons per day. Low-sulfur residual fuel oil sales climbed 1.7 million (27.0 percent), while high-sulfur residual fuel oil sales decreased 200,000 gallons per day (2.1 percent).

Other Products

- The direction of prices for the remaining surveyed products varied during December. The refiner wholesale price for propane increased 3.8 cents per gallon. Including data from a sample of propane marketers, the average residential propane price declined 1.1 cents per gallon, while the average retail price rose 2.8 cents per gallon. The average wholesale propane price climbed 3.6 cents per gallon. Prices for kerosene-type jet fuel and No. 1 distillate declined at both the retail and wholesale levels. Aviation gasoline prices fell at retail, but rose at wholesale. The wholesale price for kerosene fell in December.
- Refiner sales of these products mostly rose in December. Sales of propane, kerosene, and No. 1 distillate rose at both the retail and wholesale levels. Kerosene-type jet fuel sales increased at retail but declined at wholesale. Aviation gasoline sales fell at both levels.